

# LTC ALERT!

California Partnership for Long-Term Care

*What you should know about Long-Term Care*

October 2001

*Long-term care insurance brokers Abe and Ellen Scher have experienced firsthand the difficulties of caring for aging parents. Abe's father was financially wiped out after nine years of caring for his mother, who had Alzheimer's Disease. Abe and Ellen strongly believe in the value of a well-designed long-term care insurance plan, and as long-term care insurance specialists, they are familiar with most of the policies available in California, the limitations of health insurance, HMO's and Medicare, and the disadvantages of Medi-Cal. The following is a condensed version of an article they authored on comprehensive fact-finding.*

## Long-Term Care Insurance – A Hot Product! BUT WILL YOU (THE AGENT) GET BURNED?

It has been predicted that long-term care insurance will be one of the most highly litigated products in the insurance industry. We have seen too many instances where well-meaning but uninformed agents have written long-term care insurance policies which will be worthless when a client goes to access benefits. You, as an agent, must realize that clients are generally not knowledgeable about the specifics of long-term care insurance. They rely on what you tell them and on the promotional materials they receive about different companies. In addition, the majority of clients who have purchased long-term care insurance policies put them away in their safe deposit boxes and assume they have adequate coverage.

By far the most vital issue in selling long-term care insurance is developing an appropriate plan design based on comprehensive fact-finding of the

client's past, current and future situation. This includes health information, such as prior and current health history, history of chronic illness in their family, and longevity of parents and grandparents; financial information, such as current and future income, liquid and nonliquid assets, expected inheritances, business ownership (which could lead to significant tax

deductibility of premiums), etc. What many agents miss is gathering relevant social information that can have a significant impact on policy design. Where the client(s) plan to retire, i.e. Southern California, Northern California or other parts of the country (where long-term care costs may be higher or lower), will affect choosing appropriate benefit levels. Care costs in rural areas of California may be \$100 a day, while care costs today in New York City

are \$250+ a day. (Source: *Kiplingers Retirement Report: A Special Guide to Long-Term Care Insurance*, June

### Get Your Fact-Finder Worksheet On-line

You can download Abe and Ellen's fact-finder worksheet from the California Partnership for Long-Term Care Web site. Log on to [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc).

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1999.) Considering the differences in care costs in 15 or 20 years with inflation can result in a staggering deficit in benefits. An often missed question is whether your client plans to move to another country where their children or other relatives live or because it is their homeland. There are currently only five long-term care insurance carriers in California that provide coverage worldwide. Always read the exclusions of the policies you sell because 90 percent of your clients won't until they have a claim. Are you as an agent required to exercise "due diligence?" Better ask your Errors & Omissions (E&O) carrier.

Helping your client get the most benefits for their premium dollars is another important consideration (not just finding the "cheapest" policy). Ninety-nine percent of your clients want home health care coverage. We have never heard a client say, "I want to go to a nursing home."

***"Make sure you have good Errors and Omissions insurance."***

However, you can help your client by asking about their social support network, i.e. children, other family members, close friends or a religious organization, that could help support and oversee in-home health care services. Without this kind of social support, staying at home alone with just caregivers for more than a few months is unrealistic. By educating a client without a viable social support system about assisted living centers (many of which are nicer than four star hotels), you can help your client structure their policy so they receive more coverage for an assisted living

or nursing facility and less (or none) for home care.

Comprehensive fact-finding will help you, the agent, design an appropriate and affordable plan for your client. Obviously, this approach is counter to some current long-term care insurance sales practices that focus on "a one-visit close" or on the concept of "selling the client some coverage, which is better than no coverage."

Make sure you have good E&O insurance. Be aware that many E&O policies do not protect agents for claims related to the sale of policies for insurance carriers that have less than an A- A.M. Best rating. When you stop selling long-term care insurance, you may need to purchase "tail" coverage so you and your estate can remain protected into the future. With appropriate fact-finding and making sure the policy you sell fits the client's current and future needs, neither you nor the client "will get burned."

*Abe Scher is a licensed insurance agent and a licensed clinical social worker. Ellen Scher is a licensed insurance agent and a certified senior advisor. They own Scher Long-Term Care Insurance Services, Inc. in Ventura, California, and exclusively sell long-term care insurance.*

*The Partnership welcomes articles from all Partnership-trained long-term care insurance agents. If you would like the opportunity for your article to be considered for a future LTC Alert, please call our office.*

*LTC Alert is produced as a service to agents and their clients by the California Partnership for Long-Term Care, P.O. Box 942732, Sacramento, CA 94234-7320. Phone: (916) 323-4253. Web site: [www.dhs.ca.gov/cpltc](http://www.dhs.ca.gov/cpltc).*

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## SPECIAL ANNOUNCEMENTS

### Partnership Forms New Agent Advisory Groups to Solicit Input, Recommendations at Fall Meetings

Have you sold more than 20 Partnership policies? If so, we need you to participate in our Agent Advisory Groups. This is your chance to help the Partnership help you by providing valuable input, direction and recommendations.

As part of its marketing efforts, the Partnership has commissioned entirely new collateral material, including several new brochures and an agent video. Agents have told us these tools are a very useful part of the sales

process and are used to educate their clients about long-term care. That's why your suggestions are important to us.

We need agents to meet in Sacramento and in the Los Angeles area. Dates are Tuesday, November 13 (Sacramento) and Thursday, November 15 (Long Beach). Partnership staff will present material concepts and seek your recommendations. For more information on participation, please call Jack Sanders at 916-323-4253. Come partner with us!



### John Hancock Certified to Offer Partnership Policies

California Partnership for Long-Term Care Project Director Sandra Pierce-Miller is pleased to announce that John Hancock Life Insurance Company has been certified as the sixth private provider of Partnership policies.

The other carriers are Bankers Life and Casualty, CNA

Insurance, GE Financial Assurance, New York Life Insurance and Transamerica Occidental Life Insurance.

Agents wanting more information on the Partnership long-term care insurance products offered by any of these companies should call:

**BANKERS LIFE AND CASUALTY**  
(800) TEAM-BLC

**CNA INSURANCE**  
(800) 262-0348

**GE FINANCIAL ASSURANCE**  
(888) 456-8240

**JOHN HANCOCK LIFE INSURANCE COMPANY**  
(800) 377-7311

**NEW YORK LIFE INSURANCE**  
(800) 224-4582

**TRANSAMERICA OCCIDENTAL LIFE INSURANCE**  
(800) 690-2758

# Partnership Policies Meet SB 870 October 1st Deadline

All California Partnership long-term care insurance policies were approved as meeting the requirements of Senate Bill 870 and were on the market for consumers and agents alike as of October 1, 2001.

The far-reaching bill, authored by

Senator John Vasconcellos (D-San Jose), fundamentally enhances long-term care policies offered to Californians. In addition to expanding coverage beyond nursing homes to include residential care facilities, the minimum percentage of residential

care facility benefits is also increased to 70 percent of the nursing home only benefit under the new law.

While only policies certified by the California Partnership for Long-Term Care previously had automatic built-in coverage at no less than 50 percent for residential care facilities, SB 870 now requires this benefit be included at 70 percent for all long-term care policies sold in California. Prior to the bill's implementation, the only policy-wide requirement called for an optional offering at 50 percent coverage.

"This is a clear victory for Californians facing the difficult and costly issues of long-term care," says Sandra Pierce-Miller, project director for the California Department of Health Services' California Partnership for Long-Term Care. "Californians are now better protected, have more options and will enjoy greater safeguards as they address the issues of aging and long-term care. SB870 clarifies and streamlines many aspects of long-term care insurance policies and significantly increases consumer benefit."

## Long-Term Care Forum Sets New Date

### EARN 8 HOURS OF CE CREDIT

The Third Northern California Long-Term Care Forum, previously set for September 14, has been rescheduled. Mark your calendar for the all-day event on November 8, 2001, at the San Ramon Marriott Hotel in San Ramon, California. There will be over 30 industry exhibitors as well as educational seminars and workshops, including "The California State Partnership in Perspective," presented by the Partnership's Project Director, Sandra Pierce-Miller.

If you would like to register, you can do so on-line at the Long-Term Care Forum Web site at [www.ltcforum.com](http://www.ltcforum.com) or by calling (203) 255-1700. You can earn 8 hours of CE accreditation, which also qualifies for California's 8-hour long-term care requirements. The registration deadline is November 4, 2001.